

clearer picture is emerging of the California economy's reaction to September 11, 2001, and the state appears to have suffered less than the nation as a whole. The attacks had an immedi-

ate impact on building activity and home buying in September, but lost ground was recovered in October.

EMPLOYMENT

California's industry employment fell by 53,400 in November. The loss was broadbased, affecting the service, trade, manufacturing, and transportation sectors. Within the private sector, only the finance, insurance, and real estate industries added jobs in November.

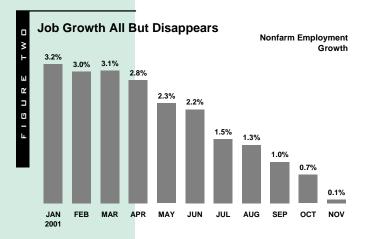
SEPTEMBER 11 IMPACTS

The impact of the September 11 attacks on California employment is difficult to gauge.

In October California appeared to escape most of the immediate employment losses associated with the attacks, losing less than its proportional share of jobs. In November, however, the state lost its share in several key industries. Air transportation lost 7,500 jobs, which is almost 17 percent

of the national losses. Hotels shed 5,600 jobs, which also represent about 17 percent of the national loss. Amusement and recreation businesses dropped 2,400 jobs, over 9 percent of the nation's losses.

Despite the effects of September 11, manufacturing continues to be the principal source of California's, and indeed the nation's, economic slowdowns. Manufacturing employment in California's



nia dropped 9,200 in November with weakness in both high-tech industries—computers, electronics, aerospace, and instruments—and in construction-related industries. Chemicals posted the only gain in November. Nationally, manufacturing dropped 163,000 jobs.

California's service sector employment fell by 15,900 in November. Business services dropped 9,000 jobs, for the

seventh consecutive monthly reduction. This is the largest one-month loss on record for this industry sector, which

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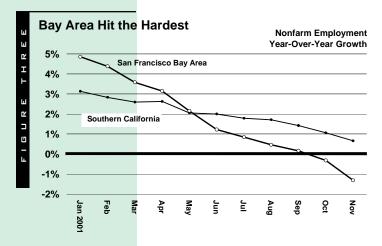
California Loses Less Than Its Share Industry Employment Since September 2001 Percent Change						
	U.S.	California				
Total Nonfarm Employment	-0.6%	-0.4%				
Air Transportation	-6.2%	-7.8%				
Eating & Drinking Places	-0.6%	0.2%				
Hotels & Lodging Places	-3.0%	-2.8%				
Amusement & Recreation	-0.9%	-1.1%				
All Other Industries	-0.5%	-0.4%				

Source: California State EDD, U.S. Bureau of Labor Statistics

was last year's employment growth leader. Computer programming and personnel supply firms dominate business services, and the lion's share of the November losses came from temporary help agencies. Motion picture employment fell by 4,400 and amusement and recreation lost 2,400 jobs—much of it related to the September 11 attacks.

Government was again the state's leading growth industry in November, based on continued growth in education. While local governments normally account for the majority of California's education employment gains, most of November's growth was due to the opening of the new California State University Channel Islands campus.

On a year-over-year basis, total industry employment was nearly stagnant, growing by only 11,900, or 0.1 percent. However, over the same period the nation lost 848,000 jobs for a drop of 0.6 percent.



Led by local governments—primarily schools—the public sector added the most jobs, 66,000. Wholesale and retail trade followed suit by adding 22,000 jobs from strong gains by automobile dealerships and home furnishing retailers.

Services added 12,300 jobs based on respectable growth in health, social, and private educational services. The motion picture industry, though, lost 12,100 jobs over the year as Hollywood continued to work off an inventory of completed projects that were stockpiled as a hedge against potential strikes in the first half of the year.

Manufacturing has shed the most jobs, with employment falling by 88,300 jobs over the year, with over half of the losses coming from the state's high tech sector.

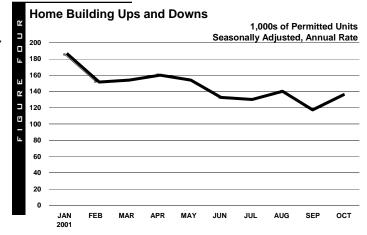
THE BAY AREA BEARS THE BRUNT With high technology industries—both manufacturing and services—bearing the brunt of this slowdown, it is not surprising that employment has deteriorated more quickly in the San Francisco Bay Area than in Southern California. The San Jose Metropolitan Area began the year with industry employment up 5.2 percent from a year earlier. By November that rate had fallen to negative 4.0 percent. By the same measure, employment growth in the San Francisco Bay Area fell from a positive 5.1 percent in January to negative 0.8 percent in November. While Southern California started 2001 at a more moderate 3.1 percent growth rate, it maintained a positive 0.7 percent growth in November.

UNEMPLOYMENT HITS 6 PERCENT

California's unemployment rate rose for the fourth consecutive month in November, to 6.0 percent. This is 0.2 percent above October's revised rate of 5.8 percent. The number of persons unemployed

rose by 30,000. Over the last nine months the unemployment rolls have grown by 267,000. Nationally, the jobless rate jumped 0.3 percent to 5.7 percent in November.

BUILDING ACTIVITY Construction activity has generally been slowing throughout 2001, but it has been on a roller coaster ride for the last few months. Both residential and nonresidential construction slumped in June and July, but began recovering in August. The attacks in September caused a sharp slowdown (in home sales as well), but better



A Construction Roller Coaster

news concerning the war on terrorism and lower interest rates sparked another upturn in October. Residential construction, measured by permitted units, grew by almost 8 percent in August, but fell over 16 percent in September—to the lowest rate since February 1998—and then recovered over 15 percent in October. Nonresidential construction followed a similar, but more volatile, path. The slowdown in residential construction that heretofore had been primarily confined to the San Francisco Bay Area has, since September, spread throughout much of the state.

For the first 10 months of 2001, residential construction is down only 0.4 percent from 2000. Nonresidential construction, measured by permit values, was off nearly 7 percent, with major reductions in industrial and office building construction.

REAL ESTATE

Home sales have followed a similar pattern. A strong August was followed by a serious slowdown in September—the slowest month for home sales in California since the end of 1995—and then a modest recovery in October. Sales of existing single-family homes were still down 9.7 percent from October 2000. The median single-family home price, at \$272,570 was down slightly from September, but was still 8.5 percent above the year ago reading.

HOME PRICES DROP IN THE SILICON VALLEY

Paralleling the regional variation in employment performance, the San Francisco Bay Area has suffered a greater home sales drop-off than Southern California. Home sales in Santa Clara County—the Silicon Valley—have fallen over 40 percent from its October 2000 pace. Its median single-family home price dropped nearly 9 percent over the year as well. Such a change is indicative of both softer prices and a slowdown in sales of the highest priced homes.

Business Cycles

t's official. The nation's longest economic expansion came to an end last spring. The National Bureau of Economic Research recently determined that the U.S. economy turned the corner from expansion to recession during March 2001. No such official determination is made concerning the California economy, but a consideration of how economic turning points are determined—along with an historical review—indicates that California's economic performance for the most part parallels the nation's.

A RECESSION IS...

A recession is a persistent, broad-based, and significant slowdown in economic activity. A recession is a phase of the business cycle that begins after economic activity peaks and ends when activity begins to grow again—or reaches a "trough." From a trough, the economy expands until it reaches the next peak. Thus March 2001 marked the end of a decade-long expansion that began in March 1991—the nation's longest expansion according to the National Bureau of Economic Research's (NBER) chronology.

DATING NATIONAL RECESSIONS

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The NBER's Business Cycle Dating Committee—a panel of five economists—reviews economy-wide indicators of economic activity. In order to establish a monthly chronology, the committee almost exclusively uses data that are available on a monthly basis. While the common definition of a recession is two quarters of declining GDP, the committee pegs peak and trough dates based on monthly employment, real personal income less transfer payments, industrial production, and real wholesale and retail sales. However, the committee may also use other variables to make its determination.

There is typically a significant lag between when a turning point is reached and when the committee makes its determination. Its finding that the previous recession had begun in July 1990 was not made until April 1991. The recession actually ended a month before the announcement. Besides the delay imposed by the availability of economic data, the committee also wants enough information to ensure that the downturn is substantial.

DATING STATE RECESSIONS

Recession start and end dates are not officially determined for individual states. The only monthly economic statistic comparable to those used by NBER that is available on a state-level basis is industry employment, which happens to be the best indicator of a state's, as well as the nation's, economic condition. There is a very close relationship between employment and production and thus income. As well as being published on a monthly basis, nonfarm employment data is also a

U.S	Business	Cyc	es

Peak	Trough	Duration	ı (Mos.)	
		Contraction	Expansion	
June 1899	December 1900	18	21	
September 1902	August 1904	23	33	
May 1907	June 1908	13	19	
January 1910	January 1912	24	12	
January 1913	December 1914	23	44	
August 1918	March 1919	7	10	
January 1920	July 1921	18	22	
May 1923	July 1924	14	27	
October 1926	November 1927	13	21	
August 1929	March 1933	43	50	Great
May 1937	June 1938	13	80	Depression
February 1945	October 1945	8	37	
November 1948	October 1949	11	45	
July 1953	May 1954	10	39	
August 1957	April 1958	8	24	
April 1960	February 1961	10	106	
December 1969	November 1970	11	36	
November 1973	March 1975	16	58	
January 1980	July 1980	6	12	
July 1981	November 1982	16	92	
July 1990	March 1991	8	120	
March 2001				

Source: National Bureau of Economic Reserch

good gauge of the condition of a broad range of industries. Even though considering other factors, such as income and industrial output, might in theory yield different turning points, for this article changes in the direction of nonfarm employment growth are used to peg the start and end of recessions in California.

National business cycles in the 20th Century can be divided between those that occurred prior to and including the Great Depression of the 1930s and those that came after—commonly referred to as "post-war." From the beginning of the 20th Century through the Great Depression the United States suffered 11 recessions. On average they lasted 19 months and were followed by expansions that lasted 31 months. There have been 10 recessions since the Great Depression that on average lasted only 10 months and led to expansions lasting 57 months—nearly twice as long as expansions in the preceding era.

Using available historical nonfarm employment data, California business cycles can be compared to the last seven national recessions:

1957-58, 1960-61, 1969-70, 1973-75, 1980, 1981-82, and 1990-91. Not surprisingly, California's experience is very comparable to the nation's. The nation's average recession lasted 11 months while the state's lasted 12. The average expansion lasted 64 months for the nation versus

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CALIFORNIA BUSINESS CYCLES

63 months for California. This performance, though, includes the 1990-93 recession when California went through a major and painful economic transition that included major changes and dislocations from a dramatic cut back in federal defense expenditures, base closures, and a consolidation of the aerospace industry. Excluding the 1990-93 recession, national recessions lasted 11 months on average, while California's lasted only eight.

Economic expansions lasted 55 months nationally and 58 months in the state.

Even though job losses do not completely indicate the severity of a recession, they are generally a very good indicator of income and production. According to nonfarm employment patterns, California's recessions have been comparable to the nation's with regard to their impact. Peak-to-trough employment losses during the seven

California Business Cycles* 1957-2001

Peak	Trough		Duration (Mos.)	
			Contraction	Expansion
September 1957	January 1958	н	4	27
April 1960	August 1960	н	4	112
December 1969	March 1971	н	15	43
October 1974	April 1975	н	6	58
February 1980	July 1980	н	5	13
August 1981	November 1982	н	15	92
July 1990 June 2001	May 1993		34	97

^{*} Based on nonfarm employment

1990-91

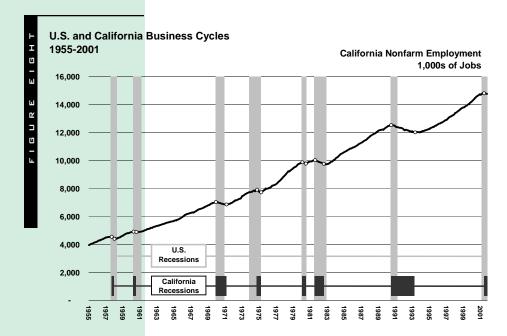
Employment During Business Cycles

			Califol	mia vs. U.S	٠.
		Peak-	to-Trough	Job Losses	s
Recession	Cali	fornia	L	J.S.	
	Jobs	Percent	Jobs	Percent	1
	(1,000s)		(1,000s)		ı
1957-58	145	3.2%	2,106	3.8%	ı
1960-61	27	0.5%	1,254	2.3%	ı
1969-70	170	2.4%	831	1.2%	ı
1973-75	187	2.4%	1,414	1.8%	ı
1980	102	1.0%	1,053	1.2%	ı
1981-82	264	2.6%	2,761	3.0%	1

1.377

1.3%

521



recessions averaged 2.3 percent in California versus 2.1 percent nationally. Excluding the 1990-93 experience though, California fared somewhat better, with employment falling an average of 2.0 percent compare to national losses of 2.2 percent. In fact, the 1960-61 recession nearly passed California by, with the state's contraction lasting only four months and employment falling a mere 0.5 percent. National employment fell 2.3 percent.

If this history is an accurate indication, the California economy fairly well mirrors the nation's performance during economic downturns. If the atypical 1990-93 experience is excluded, the state's recessions are shorter and less severe, and its

expansions are longer. Accordingly, thus far into the recession that began in March, California's employment contraction began three months after the nation's and as of November had fallen 0.6 percent versus the nation's 0.9 percent drop.

SELECT INDICATORS

EMPLOYMENT _ . . . _

Hours & Earnings

CONSUMER PRICES ___..._

CONSTRUCTION

		20			2000	Yr-Over-Yr
EMPLOYMENT (Occupant)	Nov	<u>Oct</u>	<u>Sep</u>	<u>Aug</u>	Nov	% Change
EMPLOYMENT (Seasonally adjusted) Civilian employment (000)	16,478	16,481	16,473	16,471	16,413	0.4
Unemployment (000)	1,047	1,017	948	926	833	25.7
Unemployment rate	6.0	5.8	5.4	5.3	4.8	
Nonagricultural wage and salary employment (000)	14,719.1	14,772.5	14,783.4	14,808.9	14,707.2	0.1
Mining	23.1	23.0	23.1	23.2	23.5	-1.7
Construction	747.5	756.2	758.4	765.6	753.5	-0.8
Manufacturing	1,865.1	1,874.3	1,886.4	1,897.7	1,953.4	-4.5
Durable	1,163.0	1,172.5	1,181.9	1,190.9	1,230.0	-5.4
High technology a/	486.2	490.6	494.9	500.4	519.1	-6.3
Computer and office equipment	88.6	90.2	90.7	91.7	94.8	-6.5
Communications equipment	40.2	40.8	41.0	41.2	43.3	-7.2
Electronic components	153.1 67.8	154.7	155.7	157.2	168.2 72.5	-9.0
Aircraft and parts Missiles, spacecraft, and parts	20.3	68.5 20.3	69.8 20.5	70.2 20.6	21.1	-6.5 -3.8
Search and navigation equipment	48.3	47.9	48.4	49.0	48.4	-0.2
Measuring and controlling devices	67.9	68.2	68.8	70.5	70.8	-4.1
Nondurable	702.1	701.8	704.5	706.8	723.4	-2.9
Transportation and public utilities	745.8	755.6	760.4	760.8	755.1	-1.2
Trade	3,357.1	3,371.3	3,374.9	3,368.5	3,335.1	0.7
Wholesale	851.3	854.2	851.9	849.8	840.9	1.2
Retail	2,505.8	2,517.1	2,523.0	2,518.7	2,494.2	0.5
Finance, insurance, and real estate Services e/	845.0 4,733.6	843.9 4,749.5	843.8 4,751.8	843.0 4,747.9	829.4 4,721.3	1.9 0.3
Business services	1,403.5	1,412.5	1,413.3	1,416.6	1,419.5	-1.1
Motion pictures	177.7	182.1	184.5	181.6	189.8	-6.4
Amusement and recreation services	209.3	211.7	211.6	214.1	213.9	-2.2
Engineering and management consulting	482.5	480.1	480.2	478.8	479.7	0.6
Government	2,401.9	2,398.7	2,384.6	2,402.2	2,335.9	2.8
Federal	258.7	258.9	258.7	258.8	261.1	-0.9
State and local	2,143.2	2,139.8	2,125.9	2,143.4	2,074.8	3.3
HOURS AND EARNINGS IN MANUFACTURING (N	Not season	ally adiust	ed)			
Average weekly hours	40.9	40.9	41.2	41.3	41.9	-2.4
Average weekly earnings	\$606.14	\$604.91	\$610.17	\$607.94	\$604.62	0.3
Average hourly earnings	\$14.82	\$14.79	\$14.81	\$14.72	\$14.43	2.7
CONSUMER PRICE INDEX (1982-84=100) (Not se	asonally a	djusted)				
All Urban Consumers Series	•	•				
California Average	n.a.		n.a.		n.a.	
San Francisco CMSA	n.a.		n.a.		n.a.	
Los Angeles CMSA	178.1	178.3	178.8	178.4	173.5	2.7
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	175.9	n.a.	175.7	n.a.	
San Francisco CMSA	n.a.	187.5	n.a.		n.a.	
Los Angeles CMSA	170.7	171.0	171.5	171.1	166.6	2.5
CONSTRUCTION						
Private residential housing units authorized (000) b/	139.6	142.3	117.8	141.1	150.1	-7.0
Single units	99.0	96.5	97.7	99.4	114.2	-13.3
Multiple units	40.6	45.8	20.1	41.8	36.0	13.0
Residential building						
authorized valuation (millions) c/	\$2,234	\$2,491	\$1,873	\$2,537	\$2,600	-14.1
Nonresidential building						
authorized valuation (millions) c/	\$1,139	\$1,252	\$1,101	\$1,602	\$1,800	-36.7
Nonresidential building						
authorized valuation (millions) d/	\$958	\$1,348	\$1,241	\$1,705	\$1,507	-36.4
Commercial	286	442			656	-56.4
Industrial	71	96		178	79	-9.9
Other	172					-0.3
Alterations and additions	430	567	442	625	600	-28.3
AUTO SALES (Seasonally adjusted)				ĺ		
New auto registrations (number)	n.a.	n.a.	133,222	152.469	157.713	

2000

Yr-Over-Yr

2001

New auto registrations (number)

n.a. 133,222 152,469 157,713

AUTO **S**ALES

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted. b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjustede/ Only select industry components are shown therefore will not add to total.

n.a. Not available

VACANCY RATES FOR 3RD QUARTER 2001 (Percent)

SELECT INDICATORS (CONTINUED)

VACANCY RATES

(Fercent)		Industrial		
•	Total	Downtown	Suburban	
Northern and Central California:				
Oakland-East Bay	8.3	7.9	8.4	
Sacramento	7.4	4.5	8.3	12.3
San Francisco	14.2	12.9	17.5	9.0
San Jose	12.1	12.2	12.1	
Southern California:				
Los Angeles Metro	11.6	14.9	10.9	10.0
Orange County	14.0	n.a.	14.0	
San Diego	9.3	7.4	9.8	5.6
Ventura County	11.3	n.a.	11.3	
National Average	12.0	10.4	13.0	9.5

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

HOME PRICES

	200	00			2001		
Jan	\$226,870	Jul	242,100	Jan	\$245,930	Jul	267,280
Feb	227,160	Aug	254,690	Feb	244,870	Aug	277,430
Mar	233,140	Sep	246,820	Mar	262,050	Sep	279,450
Apr	237,060	Oct	252,730	Apr	256,020	Oct	
May	240,470	Nov	250,880	May	253,930	Nov	
Jun	243,100	Dec	249,140	Jun	267,050	Dec	

LEADING INDICATORS/A

		Manı Overtime <u>Hours</u>	ufacturing Average <u>Weekly Hours</u>	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec	4.7 4.8 5.1 5.0 4.9 4.9 5.1 5.0 5.0 5.0	41.5 41.8 42.2 42.0 41.8 41.7 41.7 42.0 42.0 42.0 42.2	67,377 55,952 58,551 59,557 59,293 63,334 61,910 63,234 64,061 61,392 58,151 58,804	4,713 4,355 3,579 3,957 4,479 4,367 4,744 4,206 4,763 4,738 4,421 4,823	90.5 122.6 98.7 102.4 108.2 108.4 112.3 114.3 121.2 127.9 117.1 108.8
1998	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec	5.1 5.0 4.9 4.5 4.7 4.8 4.7 4.6 4.5 4.7 4.6 4.6	42.1 41.9 41.9 41.2 41.8 41.9 41.7 41.4 41.8 41.7 41.8	57,555 59,896 58,500 57,552 58,844 54,072 54,244 52,766 50,869 52,740 54,399 53,932	4,711 4,575 4,613 5,084 4,502 4,705 4,837 4,378 3,745 4,711 4,728 4,602	105.8 111.7 128.8 116.6 121.6 142.9 117.5 137.2 125.9 137.2 139.9 126.8
1999	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec	4.6 4.7 4.7 4.8 4.7 4.5 4.6 4.8 4.8 4.8	42.2 41.9 42.0 42.0 41.9 41.7 41.5 41.5 41.5	53,407 52,466 52,826 52,809 50,231 51,380 51,205 51,077 50,513 49,289 51,158 45,004	4,930 5,096 6,033 5,080 5,292 5,506 5,303 5,864 5,848 5,686 5,987 6,477	140.7 137.6 134.6 140.3 141.4 145.3 148.3 136.8 133.4 134.5 142.6 142.0
2000	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec	4.9 4.9 5.3 5.0 5.1 5.0 5.1 4.8 4.7	41.5 41.3 41.4 42.0 41.6 41.7 41.7 41.7 42.0 41.8 41.5 41.5	52,060 49,021 47,039 45,280 47,659 49,108 48,486 47,928 48,084 49,364 47,796 52,366	6,500 6,867 8,319 7,552 6,699 7,191 7,205 7,190 7,133 7,360 7,561 6,256	154.1 157.7 153.0 137.6 132.6 179.4 133.5 143.3 141.9 142.4 150.1 165.4
2001	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov	4.4 4.5 4.5 4.0 4.3 4.3 4.3 4.3 4.3 4.0 3.8	41.0 41.2 41.1 40.6 41.0 40.9 41.1 41.3 41.2 40.7 40.5	49,371 49,269 52,879 54,543 55,805 54,571 56,673 57,703 60,803 65,267 55,652	7,472 6,340 6,466 6,250 6,956 6,236 6,359 7,522 6,070 7,301 7,545	185.6 152.1 154.3 160.7 154.9 132.5 130.5 141.1 117.8 142.3 139.6

a/ Seasonally adjusted by the California Department of Finance.

COINCIDENT INDICATORS/A

EMPLOYMENT, UNEMPLOYMENT

INCOME, WAGES,
TAXABLE SALES

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (<u>Percent)</u>	Unemployment Avg. Weeks Claimed (Thousands)
1998	Jan	13,407	1,955	6.1	335
	Feb	13,429	1,956	6.1	363
	Mar	13,453	1,958	6.0	365
	Apr	13,490	1,960	6.0	367
	May	13,541	1,964	6.0	355
	Juń	13,580	1,962	5.9	353
	Jul	13,602	1,952	5.9	352
	Aug	13,657	1,951	5.9	358
	Sep	13,706	1,951	6.0	355
	Oct	13,726	1,944	5.8	337
	Nov	13,766	1,936	5.8	354
	Dec	13,800	1,931	5.8	367
1999	Jan	13,787	1,925	5.6	353
	Feb	13,827	1,922	5.6	367
	Mar	13,853	1,922	5.5	372
	Apr	13,904	1,922	5.4	363
	May	13,930	1,920	5.2	374
	Jun	13,954	1,919	5.2	375
	Jul	14,011	1,921	5.1	352
	Aug	14,037	1,919	5.0	357
	Sep	14,055	1,922	5.0	365
	Oct	14,135	1,928	5.0	349
	Nov	14,168	1,929	5.0	347
	Dec	14,205	1,927	5.0	339
2000	Jan	14,256	1,933	4.9	354
	Feb	14,306	1,934	4.9	345
	Mar	14,360	1,937	5.0	348
	Apr	14,409	1,937	5.0	336
	May	14,480	1,940	5.0	328
	Jun	14,507	1,947	5.1	331
	Jul	14,579	1,952	5.0	337
	Aug	14,612	1,953	5.0	341
	Sep	14,644	1,951	4.9	315
	Oct	14,676	1,952	4.9	339
	Nov	14,707	1,953	4.8	347
	Dec	14,759	1,953	4.7	315
2001	Jan	14,714	1,950	4.6	347
	Feb	14,741	1,945	4.5	353
	Mar	14,799	1,944	4.7	353
	Apr	14,818	1,936	4.9	385
	May	14,813	1,932	4.9	419
	Jun	14,821	1,924	5.1	420
	Jul	14,795	1,910	5.0	457
	Aug	14,809	1,898	5.3	482
	Sep	14,783	1,886	5.4	481
	Oct	14,773	1,874	5.8	551
	Nov	14,719	1,865	6.0	517

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1997	Qtr I	839,517	100,201	82,866
	Qtr II	851,775	102,010	84,167
	Qtr III	868,055	104,133	85,968
	Qtr IV	886,882	105,734	87,444
1998	Qtr I	905,328	107,999	87,246
	Qtr II	922,090	110,973	89,126
	Qtr III	936,414	112,450	90,733
	Qtr IV	962,676	118,293	91,120
1999	Qtr I	958,792	116,556	93,739
	Qtr II	983,196	120,572	97,146
	Qtr III	1,006,295	126,985	99,747
	Qtr IV	1,040,889	132,447	103,096
2000	Qtr I	1,076,665	146,164	107,393
	Qtr II	1,081,713	140,108	109,940
	Qtr III	1,115,129	151,037	111,702
	Qtr IV	1,105,572	141,624	112,045
2001	Qtr I	1,135,164	140,994	110,033
	Qtr II	1,116,747	143,632	110,630
	Qtr III	n.a.	n.a.	106,769

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department. n.a. Not available

____ 9 ____

OTHER INDICATORS

DOD Prime Contracts a/					Foreign Trade through California Ports				
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2000		<u>2001</u>	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	27,067	Jan	31,457
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,883	Feb	27,796
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,957	Mar	31,866
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	31,128	Apr	28,116
1986-87	24,515	18.4	1996-97	18,477	17.3	May	30,898	May	27,833
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	33,650	Jun	28,995
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	33,222	Jul	28,097
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	35,781	Aug	28,565
1990-91	24,265	19.5				Sep	35,250	Sep	27,219
						Oct	37,506	Oct	
						Nov	34,125	Nov	
						Dec	33 615	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL NOTE

ECONOMIC INDICATOR CHARTS

eries classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

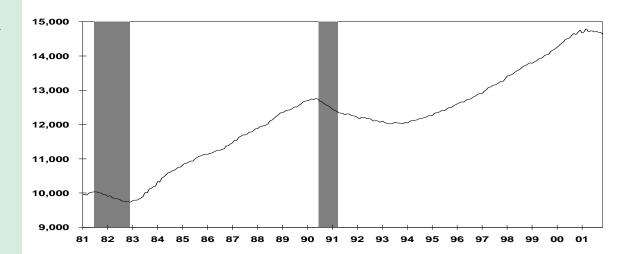
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



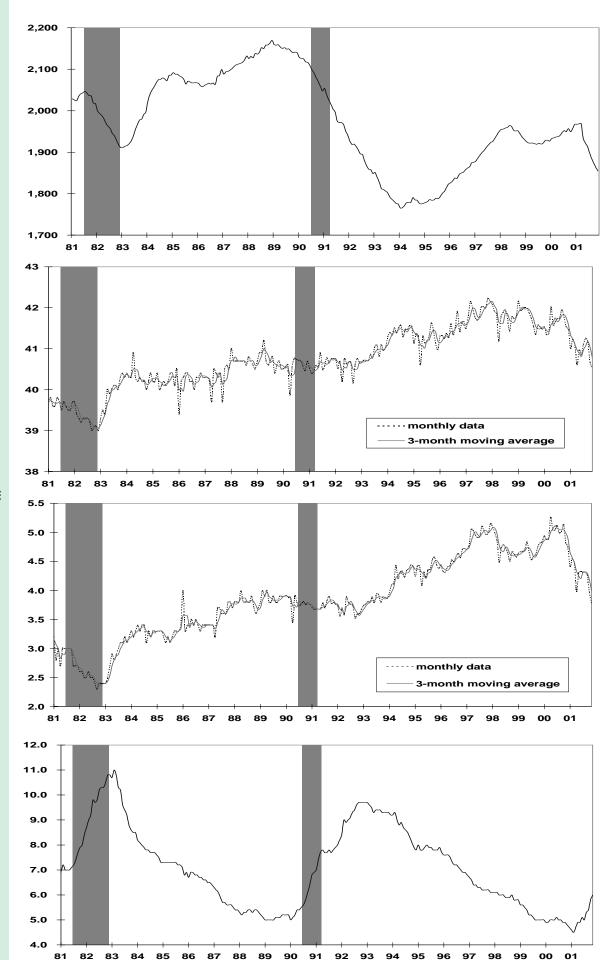
MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

_ . . . _

AVERAGE OVERTIME HOURS,
MANUFACTURING
(SEASONALLY ADJUSTED)

UNEMPLOYMENT RATE (PERCENT)

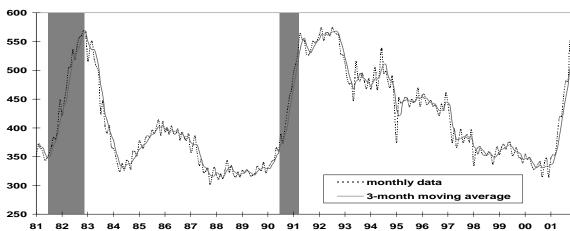


INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE (WEEKLY AVERAGE, SEASONALLY ADJUSTED)

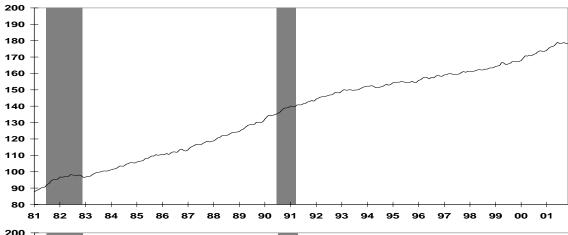
90,000 85,000 80,000 75,000 70,000 65,000 60,000 55,000 50,000 monthly data 45,000 3-month moving average 40,000 81 82 83 84 85 88 89 90 91 92 93 94 95 96 97 98 99

UNEMPLOYMENT, AVERAGE WEEKS CLAIMED

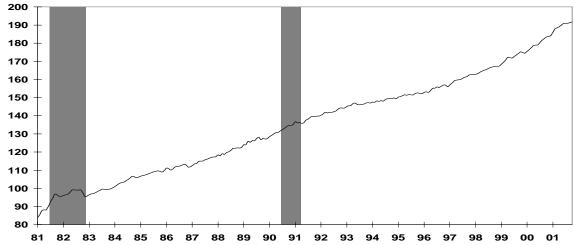
(THOUSANDS, SEASONALLY ADJUSTED)



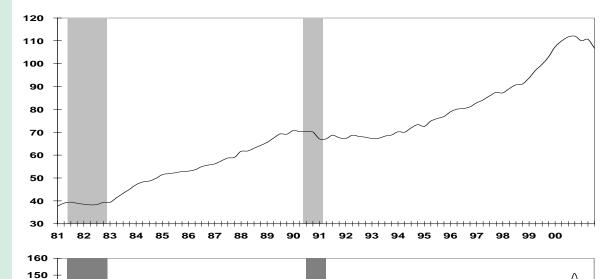
CONSUMER PRICE INDEX, LOS ANGELES (1982-84=100)



CONSUMER PRICE INDEX, SAN FRANCISCO (1982-84=100)







Wages and Salaries in Mining, Construction and Manufacturing

140

130

120

110

100 90

> 80 70

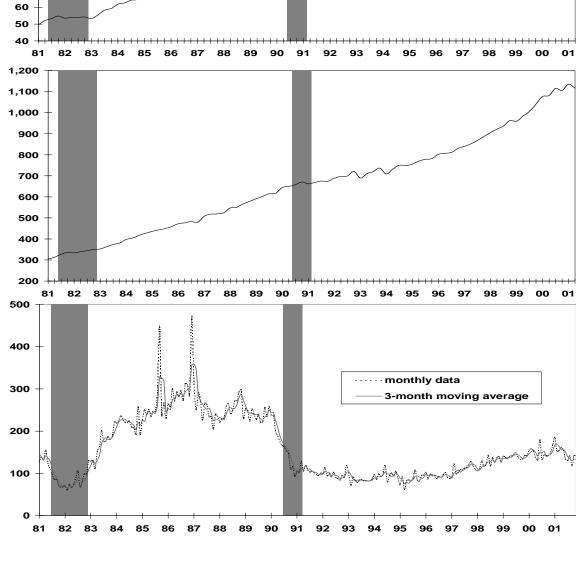
(DOLLARS IN BILLIONS, SEASONALLY ADJUSTED)

Personal Income

(DOLLARS IN BILLIONS, SEASONALLY ADJUSTED)

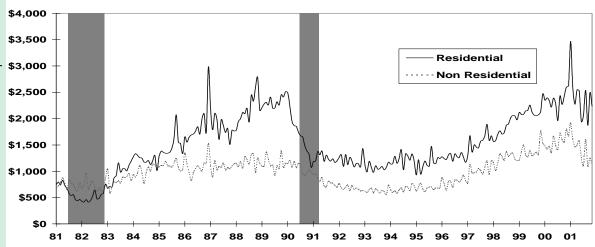
New Housing Units Authorized By Building Permits

(Thousands, Seasonally Adjusted at Annual Rate)

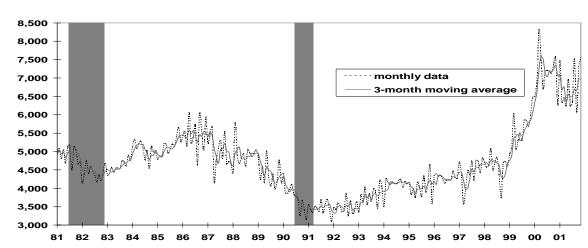


RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



NEW BUSINESS INCORPORATIONS (SEASONALLY ADJUSTED)



CHRONOLOGY

he following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: http://www.dof.ca.gov/

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April 7

January 27 Fourth quarter GDP grew at an annual rate of 5.8 percent.

February 2 Federal funds rate raised from 5.50 percent to 5.75 percent.

Discount rate raised from 5.00 percent to 5.25 percent.

February 4 The nation's jobless rate at 4 percent is lowest in 3 decades.

February 7 Pfizer Inc. and Warner-Lambert Co complete merger deal.

March 20 Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the

biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

March 21 Federal funds rate raised from 5.75 percent to 6.0 percent.

Discount rate raised from 5.25 percent to 5.50 percent.

March 30 GDP growth rate for 4th quarter was revised upward to 7.3 percent, its strongest pace since 1984.

President Clinton signed into law a bill allowing older Americans to work without losing any of

their Social Security benefits.

April 10 Wells Fargo & Co agreed to acquire First Security Corporation of Utah.

April 27 First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years. Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years. Federal funds rate raised from 6.0 percent to 6.5 percent. May 16 Discount rate raised from 5.5 percent to 6.0 percent. June 29 GDP 1st quarter growth rate revised from 5.4 to 5.5 percent. July 28 GDP 2nd quarter grew at an annual rate of 5.2 percent. World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest August level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil. China was granted permanent normal trade relations status with the U.S. September 19 September 28 GDP growth rate for 2nd quarter was revised to 5.6 percent. Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, October 18 the biggest in almost a decade. October 31 OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year. **December 21** GDP for 3rd quarter grew at an annual rate of 2.2 percent. 2001 January 1 California's minimum wage raised from \$5.75 to \$6.25. January 1 The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%. Federal funds rate reduced to 6.0 percent from 6.5 percent. January 3 Discount rate reduced to 5.5 percent from 6.0 percent. OPEC to cut oil production by 1.5 million barrels a day, January 17 or 5.6 percent of current output. Federal funds rate reduced from 6.0 percent to 5.5 percent. January 31 Discount rate reduced from 5.5 percent to 5.0 percent. March 19 OPEC to cut oil production by 1 million barrels a day. March 19-20 California suffered rolling blackouts. March 20 Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent. March 27 California regulators approved retail electric rate increase. March 29 GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years. **April 6** PG&E utility unit files for bankruptcy. April 18 Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent. April 23 A Tosco refinery explosion pushed gasoline prices to near record highs. April 24 Standard & Poors lowered California's bond rating from AA to A+ April 27 GDP grew at an annual rate of 2 percent in the first quarter. May 7-8 California hit by rolling blackouts. May 15 Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent. Federal tax cut was signed into law. June 7 The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce June 18 spikes in wholesale electricity prices in California and other Western states. Federal funds rate reduced from 4.00 percent to 3.75 percent. **June 27** Discount rate reduced from 3.50 percent to 3.25 percent.

First quarter GDP growth rate revised to 1.2 percent.

June 29

IRN ADDRES

California Department of Finance

915 - L Street Eighth Floor Sacramento, CA 95814

10	BEGINNING	Amount
Z	ISSUE	Due
	Jan/Feb Mar/Apr May/June July/Aug Sept/oct Nov/Dec	\$8.00 6.75 5.40 4.05 2.70 1.35

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AND PREPAYMENT
(NO BILLING AVAILABLE) TO:
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SACRAMENTO, CA 95801

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CHRONOLOGY—CONTINUED

August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11-14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent.
	China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.

